

FCR 6

Office of the President
June 19, 2015

Members, Board of Trustees:

AUTHORIZATION OF LEASE FOR PHASE III-A STUDENT HOUSING AND NAMING OF UNIVERSITY BUILDING

Recommendation: that the Board of Trustees: (1) authorize the President, or his designee, to enter into a long-term lease with an affiliate of Education Realty Trust, Inc. (EdR) guaranteed by Education Realty Operating Partnership, LP for purposes of development and management of Phase III-A of the student housing project; and (2) approve the official naming of the facility as University Flats.

Background:

1. Authorization of Lease for Phase III-A Student Housing

At the Board of Trustees retreat in October 2011, the Board identified the need to expand and improve student-housing facilities as a strategic priority. On October 26, 2011, the University issued a Request for Proposal seeking developers with the capacity and interest in partnering with the University to complete a long-term housing plan. On December 13, 2011, the University announced that it would negotiate with EdR, a third-party developer, to improve, expand and potentially manage student housing. A summary of the existing and recommended leases with EdR by phase follows:

Project Phase	Development Cost	Number of Beds	Board Approval	Online
Phase I	\$ 25,200,138	601	February 2012	August 2013
Phase II-A	\$138,026,392	2,381	See Below*	August 2014
Phase II-B	\$101,172,427	1,610	May 2013	August 2015
The Study/Coffee Shop	\$3,000,000	n/a	December 2013	August 2014
Phase II-C	\$83,910,979	1,141	January 2014	August 2016
Creative Arts LLP Space	\$2,200,000	n/a	May 2015	August 2016
Phase III-A	\$74,037,607	771	Recommended	August 2017
Total	\$427,547,543	6,504		

* Phase II-A approved October 2012; Phase II-A Amendment approved May 2013

EdR is a publicly traded real estate investment trust headquartered in Memphis, Tennessee, with more than 50 years of student housing experience. Since 2000, EdR has completed more than \$2,400,000,000 in collegiate housing transactions, including investing \$1,200,000,000 of its own capital. EdR currently owns or manages 73 collegiate-housing properties with approximately 40,400 beds in 23 states, including four facilities at the University of Louisville.

The public private partnership (P3) strategy is appropriate for UK given the advanced age of the student housing stock (in 2011, the average age of the residence halls was 44 years.) It also facilitates the University's desire to modernize and expand it quickly while reserving debt capacity for other capital projects. EdR provides a 100 percent equity investment in UK's student housing. The University will continue to provide the Residence Life programs.

Phase I, Phase II A-C, Phase III A and any future Phase III projects are systematically replacing the majority of current on-campus student housing. The total development is anticipated to include up to 9,000 replacement and expansion beds. Given the condition of the existing residence halls and limited on-campus land, a fast and incremental replacement of existing undergraduate housing is essential to avoid any dip in the number of available beds.

Pursuant to Administrative Regulation 8:2, any capital project with an estimated cost of \$600,000 or more will be submitted to the Board for approval prior to initiation. The legislatively authorized scopes for the Housing Project follow:

Legislative Authorization	Private Funds	University Agency Funds	Total
Phase I			
2010 Kentucky General Assembly Special Session	\$52,500,000	\$0	\$52,500,000
Phase II A-C			
2012 Kentucky General Assembly	\$175,000,000	\$0	\$175,000,000
Capital Planning Bond Oversight Committee, May 2013	\$68,000,000	\$34,000,000	\$102,000,000
Capital Planning Bond Oversight Committee, February 2014	\$85,000,000	\$0	\$85,000,000
Phase III			
2014 Kentucky General Assembly	\$202,000,000	\$0	\$202,000,000
Total	\$582,500,000	\$34,000,000	\$616,500,000

The Board is requested to authorize the President, or his designee, to enter into a long-term lease with EdR for Phase III-A. With a development scope of \$74,037,607, Phase III-A is well within the legislatively authorized scope of up to \$202,000,000 of private funds. It includes one facility at the corner of University Drive and Complex Drive. The seven-story building is intended to house returning or upper division undergraduate students as well as graduate and professional students. The building will have separate entrances for the undergraduate and graduate/professional students and include a total of 771 beds in 312 units of varying styles ranging from studio to four bedroom, two bath apartments. All units will be furnished and have full kitchens.

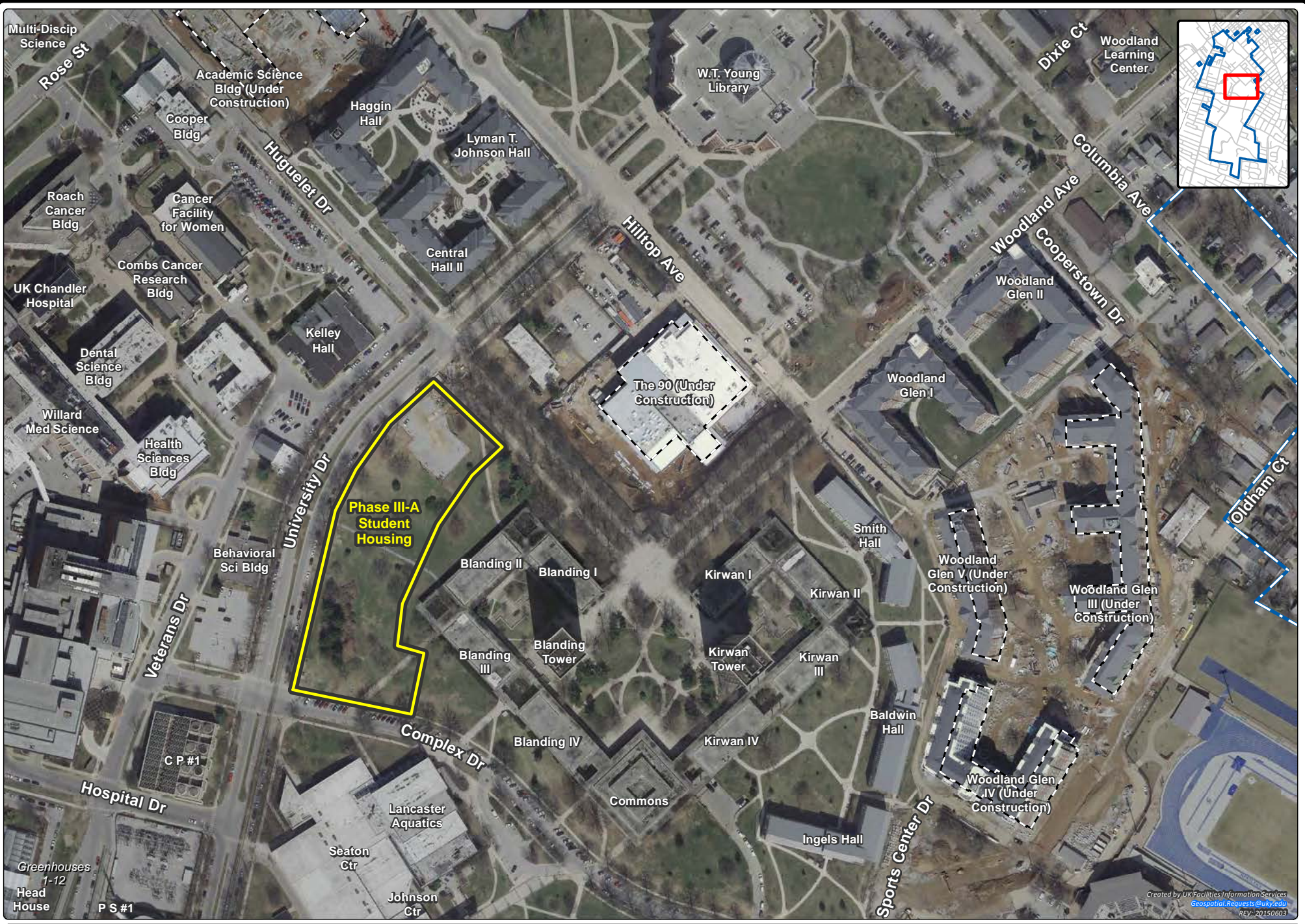
The Phase III-A lease will have provisions similar to the prior leases (Phase I and Phase II A-C) such as a term period up to 75 years, maintenance standards for the facility, and parameters for the rental rates for the duration of the lease. The University will receive 5.25 percent of gross revenues and a share of net income after EdR achieves a minimum internal rate of return.

A summary of the Phase III-A lease provisions will be available prior to the Board meeting at <http://www.uky.edu/evpfa/node/20>. Pending Board approval, an affiliation agreement between the University and EdR outlining how the Phase III-A housing facility will be operated and maintained will also be executed. The draft agreements may be modified prior to execution, if necessary. Any substantive modifications will be reported to the Board of Trustees.

2. Naming of University Building

The UK Housing Project Implementation Team recommended a name designation, University Flats, for the facility to the Committee on Naming University Buildings. The Committee found the recommended name to be in compliance with Administrative Regulation 9:5 and recommends Board approval. The new student housing facility, University Flats, is expected to be online by August 2017.

Action taken: Approved Disapproved Other _____



**FCR 6 - AUTHORIZATION OF LEASE FOR PHASE III-A STUDENT HOUSING
AND NAMING OF UNIVERSITY BUILDING**



Created by UK Facilities Information Services
Geospatial.Requests@uky.edu
REV: 20150603